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2 April 1953

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Copy No. 60

CURRENT INTELLIGENCE BULLETIN

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DOCUMENT NO. _____
NO CHANGE IN CLASS.
IT IS DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE: 2-21-71 REVIEWER: [redacted]

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DIA and DOS review(s) completed.

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GENERAL

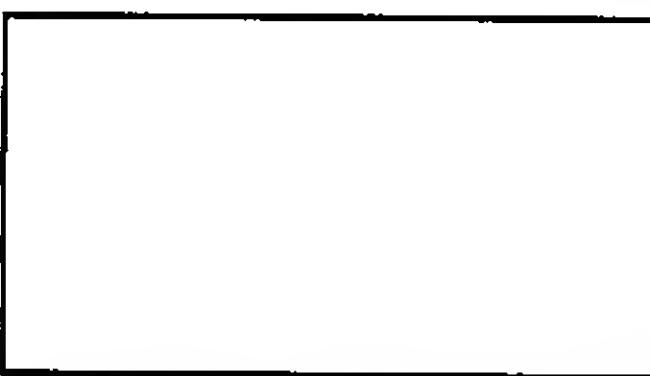
1. Comment on Soviet support of Chinese proposals for Korea:

Molotov's quick endorsement of the Chinese Communist proposal on Korea, in a statement employing Chou En-lai's terminology, provides further evidence that Chou's action resulted from a joint Sino-Soviet decision. Molotov's statement follows an assertion by the senior Soviet member of the UN Secretariat to a member of the Norwegian delegation, only two hours after the Chinese communique became public, that Chou's proposal was the "real thing."

Molotov's statement also indicates that the Communists are seeking not only a resumption of the truce talks at Panmunjom but a full-dress debate on broader issues at the General Assembly. He suggests, for example, that Chinese Communist and North Korean membership in the UN would facilitate cessation of the war. It is not clear, however, whether these political questions are being introduced as a condition for a cease-fire, or simply for bargaining or prestige purposes.

2. Burma's UN complaint reportedly prompted by pressure from Peiping:

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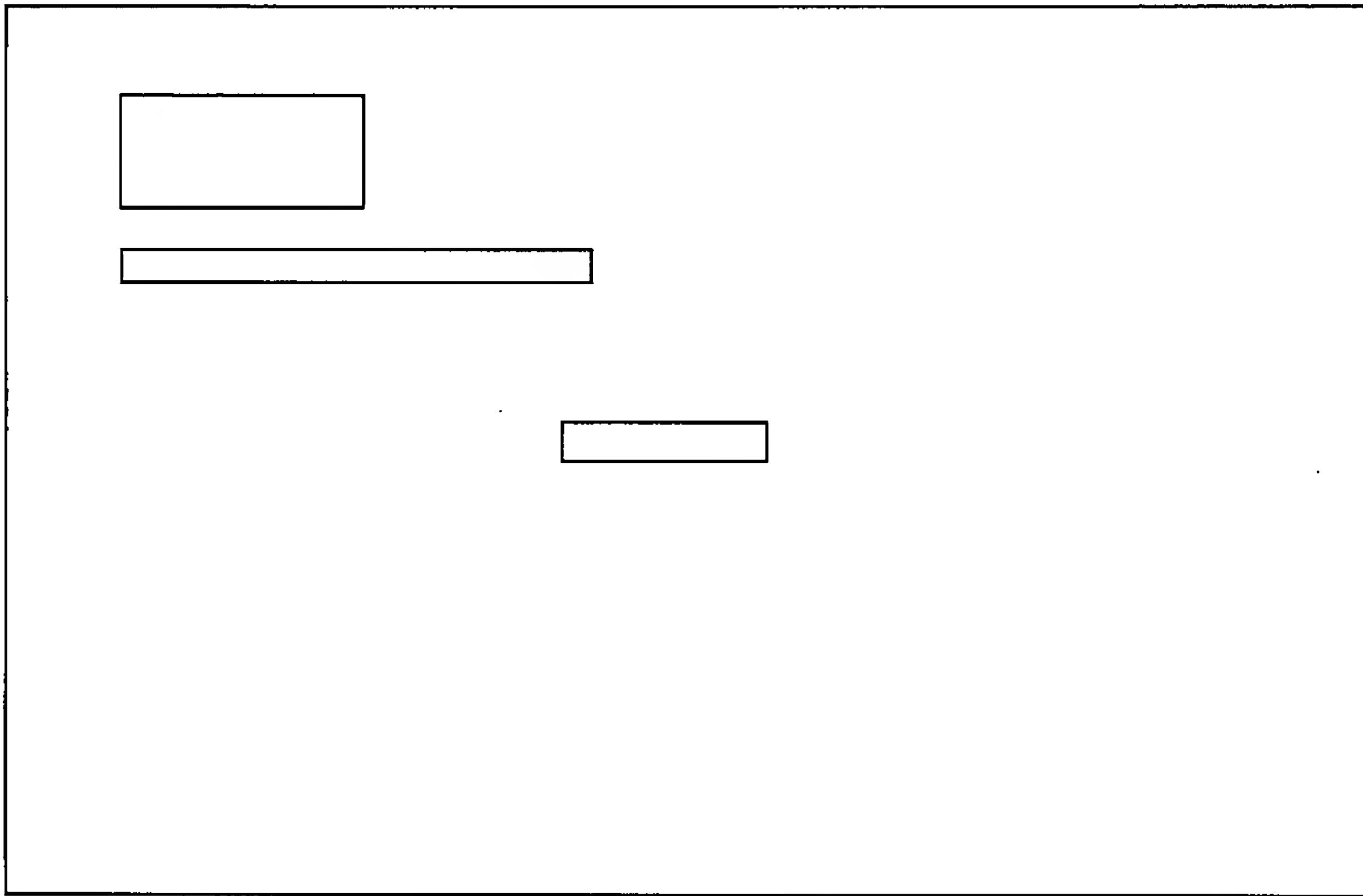


Pressure from Peiping and the possibility that Chinese Communist armed forces might enter Burma to fight the Chinese Nationalist troops there prompted Burma's complaint to the United Nations, according to the military adviser assigned to Burma's UN delegate.

Comment: Burma's UN delegate has also referred to pressure applied by Communist China and there are indications that such pressure, in part, has been applied through Burma's pro-Communist Ambassador to Peiping, who visited Rangoon recently.

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4. Formosa-Burma dispute raises new Indonesian suspicions of American policy:

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The US Embassy in Djakarta believes the situation created by the Chinese Nationalist troops in Burma may sharpen Indonesian suspicions of American Far Eastern policy.

In the Indonesian view, Formosa is an American satellite and the United States is responsible for the Chinese Nationalists being in Burma.

A friendly Indonesian leader cited the problem as evidence of big-power indifference to the rights of small nations and pointed out that, on the pretext of fighting Communists, Indonesia too might be occupied and be unable to resist.

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Comment: While Burma and Indonesia both have favored a neutral foreign policy, they have generally been more inclined to the West than to the Soviet Orbit. American failure to solve the Nationalist problem, despite Burma's friendly orientation, will make Indonesia question the wisdom of closer cooperation with the United States.

The American Embassy in Djakarta commented that recent Burmese permission for rubber shipments to Communist China will provide new impetus for existing pressures on the Indonesian Government to allow similar trade.

SOVIET UNION

5. Comment on Soviet price reductions:

The American Embassy in Moscow reports that the Soviet retail price reductions of both food and manufactured goods are far broader than last year but similar to those for 1950 and 1951.

The wider range of price reductions as compared with last year, along with the latest declarations of peaceful intent and the recent amnesty declaration, are intended to aid the new regime in consolidating itself with the Soviet people.

The 50 percent price reduction in fruits and vegetables may have added significance, since they are among the chief products sold by the collective farmer on the open market. The Kremlin may now be moving gradually to eliminate this market by forcing it to compete with arbitrarily lowered state prices.



NEAR EAST - AFRICA

7. General Zahedi seeks Shah's support to overthrow Mossadeq:

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Minister of Court Ala told Ambassador Henderson on 30 March that it is generally agreed that Mossadeq must be removed in the near future and that retired General

Zahedi is the only available replacement. Zahedi would be supported by Mullah Kashani and other conservative elements within the Majlis and the army.

Zahedi has visited Ala secretly and has indicated that he would accept the premiership only if the Shah supported him. Ala told Zahedi that the Shah would not act "unconstitutionally" or take part in a coup. The Minister of Court said, however, that he will try to persuade the Shah to make to the Majlis which meets on 5 April a statement condemning Mossadeq.

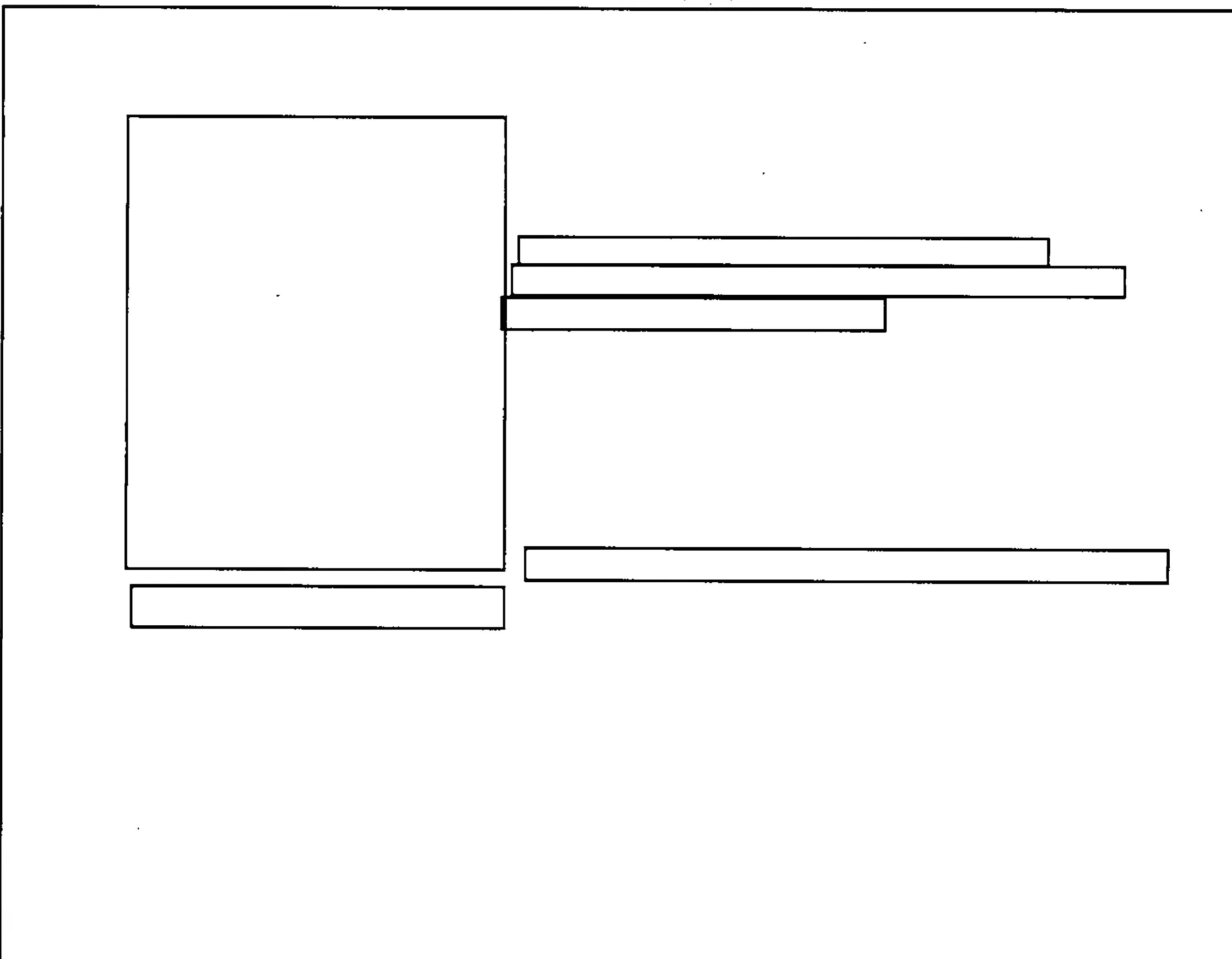
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Comment: Recent reports have indicated that Zahedi and others are planning a military coup. Henderson's report suggests that they may be willing to try to remove Mossadeq by parliamentary means rather than by armed action.

The Shah still remains the key factor. His inability to make up his mind to take even constitutional action against Mossadeq, however, will discourage Zahedi and his apparently sizeable following.

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9. Britain plans to move troops into disputed Buraimi area:

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Great Britain intends to move local troops into the disputed Buraimi area and to take other measures to make the present Saudi position untenable. King Ibn Saud will be notified beforehand, probably on 2 April, that Britain reserves its freedom of action.

The Foreign Office explains that the Saudi, through their actions, show no intention to carry out past agreements, and that their suggestion for a plebiscite shows they are electioneering in the disputed area.

Comment: The territory involved is technically in dispute between Saudi Arabia and two of the several British-protected Persian Gulf sheikhdoms. The Saudi Deputy Foreign Minister recently declared that his country would, if necessary, meet force with force or possibly appeal to the UN Security Council. Saudi reaction would also include a strong appeal to the United States.

10. Comment on decree barring Greek-flag ships from Communist China trade:

The Greek Council of Ministers on 23 March issued a decree prohibiting Greek-flag ships from calling at ports in Communist China and North Korea.

The Greek-flag merchant fleet comprises approximately 20 percent of the total Greek-owned merchant tonnage operating throughout the world. The other 80 percent consists of 700 to 800 ships which are registered in ten foreign countries. Five of these countries have not yet prohibited ships in their registry from entering ports of Communist China.

During the last quarter of 1952, only 13 Greek-flag ships were positively identified with Communist China trade. The curtailment of this shipping will attain greater significance when Greek-owned ships under foreign registry are likewise prohibited or withdrawn from the China trade.

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WESTERN EUROPE

11. Austrian government crisis reportedly ends with Socialist-People's Party agreement:

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People's Party and Socialist representatives have reportedly reached an understanding which will permit the announcement of a new Austrian Government this week, under Chancellor-designate Raab of the People's Party.

Substantial agreement has reportedly also been reached on a 1953 budget and on bipartisan parliamentary support for an agreed "government program." The coalition voting agreement will not, however, extend to all parliamentary issues.

Comment: The important decisions which appear to have been postponed suggest that the new coalition will not be a strong one. Barring some unforeseen reconciliation between the two parties, the probability of new elections within a year is therefore very strong.

12. Date of Italian EDC ratification increasingly remote:

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Premier De Gasperi told Ambassador Bunker on 30 March that the recent Communist-led riots in Parliament have made it inadvisable for him to issue a public statement of the government's intention to push ratification of EDC, as he had previously promised. He said that he would do his utmost for ratification after the national elections late this spring, but that he could not now risk another debate in either house.

Ambassador Bunker believes that under present circumstances final approval of the treaty is unlikely before late autumn.

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